

City of Detroit

CITY COUNCIL

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FISCAL ANALYSIS DIVISION
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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Curtis Hertel, Executive Director
Detroit/Wayne County Port Authority

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 29, 2008

RE: 2008-2009 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General
Norman White, Finance Director
Pamela Scales, Budget Director
Renee Short, Budget Manager
Kerwin Wimberley, Mayor's Office

I:\08-09 BUDGET\DAILIES-FINAL\AML\Port Authority.doc

Port Authority / Non-Departmental (35)

FY 2008-2009 Budget Analysis by the Fiscal Analysis Division

Summary

In 1925, the legislature passed Public Act 234, the Port Districts Act, authorizing the creation of Port Districts to spearhead the coordination of regional maritime activities. In 1933, the Detroit Wayne County Port District was established with jurisdiction over the waters and shoreline of Wayne County. As more development began to take place, a stronger need for concentration on port activities arose, resulting in the establishment of the Detroit/Wayne County Port Authority in 1978 through Public Act 639 of 1978.

The first organizational board meeting was held October 10, 1980 and Henry Ford, II served as the first chairman of the Detroit/Wayne County Port Authority board of directors.

The Port Authority has a five-member board of directors with one member appointed by the State of Michigan, two by Wayne County and two by the City of Detroit. Funding for the Port Authority is provided by the State of Michigan, Wayne County and the City of Detroit. Greater Detroit Foreign Trade Zone, Inc. is funded through fees paid by the foreign trade zone general-purpose zones and subzones. The Greater Detroit Foreign Trade Zone, Inc. is a separate non-profit Michigan corporation administered by the Port Authority.

Funding the Operating Budget of the Port Authority

- The Act provides language that sets in place how funding for operations will occur. After the authority submits a detailed budget estimate to the governing bodies of the government units, the state shall provide 50% of the operating budget and the other 50% shall be funded equally by the participating county and city. The Act also has language to provide for the authority to return any surplus funds after a fiscal year ends.

In the current fiscal year the state provided \$500,000, the county provided \$315,000 and the city funded \$250,000. These are the same requests for the 2008-2009 fiscal year.

The exact language from the act is as follows:

120.124 Operating budget.

Sec. 24. (1) The authority shall submit in writing a detailed estimate of the budget required for the business and conduct of an authority's affairs, initially, for a 2-year period, and annually thereafter to the governing bodies of its constituent units, the department of commerce, and the department of state

highways and transportation for approval. The state shall provide 50% of the operating budget of the authority, to be included in the department of state highways and transportation budget which shall be subject to legislative approval. Fifty percent of the operating budget of an authority in which not more than 1 county and not more than 1 city participate shall be funded equally by the participating county and city.

(2) A city or county creating or participating in an authority may appropriate for the use of the authority, and include in its levy for general fund purposes, an amount considered proper. However, the total amount permitted by law to be levied by a city or county for general fund purposes shall not be considered increased by this section.

(3) As used in this section, "operating budget" means solely operation and maintenance expenses of an authority not included in the cost of a specific project, and interest on notes, but excludes amounts for debt service on bonds and amounts for acquisition, construction, enlargement, improvement, or extension of port facilities.

120.125 Surplus of unencumbered funds; disposition.

Sec. 25. If at the end of a fiscal year a surplus of unencumbered funds remains after providing for the operating expenses of an authority, the authority may pay that surplus into the general funds of the state and of its constituent units in the same proportion which the appropriations made by each to the authority bear to each other.

- The Act also allows the authority to issue revenue bonds so as to provide funds for paying for port facilities or for paying for any improvements of projects under the control of the authority. These bonds are not considered debt of the state or the other constituent unit, but shall be paid solely from the revenue or income to be derived from the projects. There are some instances that bonds may be sold and the state and other constituent units may agree to provide reimbursement of those bonds.

The exact language from the act is as follows:

120.114 Revenue bonds; applicability of revenue bond act; revenue bonds payable solely from revenues or income.

Sec. 14. (1) An authority may provide by resolution for the issuance of revenue bonds of the authority for the purpose of providing funds for paying the cost of port facilities, or for paying the cost of an extension, enlargement, or improvement of a project then under the control of the authority. The bonds issued under this section shall mature at a time or times, not exceeding 40 years after their date of issuance, as the authority may provide.

(2) Revenue bonds issued under this section are subject to the revenue bond act of 1933, 1933 PA 94, MCL 141.101 to 141.140.

(3) Revenue bonds issued pursuant to this section shall not be considered to constitute a debt of this state, a political subdivision of this state, the authority, or any constituent unit, or a pledge of the faith and credit of this state or a political subdivision of this state or of the authority or any constituent unit, but shall be payable solely from the revenues or income to be derived from the projects. The revenue bonds shall contain on their face a statement to the effect that the bonds and attached coupons are payable solely from revenues and are not a general obligation of this state, a political subdivision of this state, the authority, or a constituent unit, and neither the faith and credit nor the taxing power of this state, a political subdivision of this state, the authority, or a constituent unit, is pledged to the payment of the principal of or the interest on the bonds.

120.118 Additional bonds for acquisition of port facilities; authorization; resolution; issuance and execution of bonds; seal; negotiable instruments; maturities; payment; tax exemption; issuance of bonds or notes subject to revised municipal finance act.

Sec. 18. (1) In addition to the bonds authorized in section 14, bonds may be issued for the purpose of acquiring port facilities, as follows:

(a) By the issuance of bonds in anticipation of payments to become due under contracts by which 1 or more constituent units agree to pay to an authority operating under this act certain sums toward the cost of the acquisition, improvement, enlargement, or extension of a project that may be made under this act. Contracts are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(b) By money advanced by an authority operating under this act under agreements with a constituent unit or other municipality for the repayment of the money.

(c) By money advanced, from time to time, before or during construction of a project, by a public corporation, for which an authority operating under this act shall reimburse the corporation with interest not to exceed 8% per annum or without interest as may be agreed, when funds are available for reimbursement. The obligation of an authority to make the reimbursement may be evidenced by a contract or note, which contract or note may be made payable out of the payments to be made by constituent units under contracts made pursuant to subdivision (b), or out of the proceeds of bonds issued pursuant to this act by the county or out of any other available funds.

(2) Bonds issued under this section shall be authorized by a resolution adopted by the authority. The bonds shall be issued in the name of the authority and shall be executed by the chairperson and secretary-treasurer of the authority,

who shall also cause their facsimile signatures to be affixed to the interest coupons to be attached to the bonds. The authority shall adopt a seal that shall be affixed to the bonds. Bonds issued under this section shall be negotiable instruments and shall mature not more than 40 years after the date of issuance. The bonds and coupons shall be made payable in lawful money of the United States and shall be exempt from all taxation whatsoever by this state or by any taxing authority within this state.

(3) Bonds or notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

Issues and Questions

For Council's review, attached are the responses to the questions asked of the Port Authority which were received after last year's budget hearing.

Also attached are the most recent audited financial and annual community reports.

1. Has the Port Authority Public Dock and office project been completed?
2. Please explain why only \$12,147 was repaid on the loan to the Ambassador Port Company for purchase of the Marine Terminal when the payment schedule indicates \$250,000 to be repaid in 2007. What are the 10-year projections for revenue from the Ambassador Port Company as master concessionaire of the terminal that will be used to pay back the loan?

Attachments

JUN-05-2007 10:08AM

FROM-DETROIT WAYNE COUNTY PORT AUTHORITY

+1-313-331-8457

T-880 P.001/004 F-358



DETROIT/WAYNE COUNTY PORT AUTHORITY
MICHIGAN'S INTERMODAL GATEWAY

NOTE TO COUNCIL:
THIS MATTER WILL BE
BROUGHT INTO COMMITTEE
ON WEDNESDAY JUN - 6 2007

TO: Irvin Corley, Jr., Fiscal Analysis Director

FROM: Curtis Hertel, Executive Director
Detroit/Wayne County Port Authority

CC: Detroit City Council
Janice M. Winfrey, City of Detroit, City Clerk

DATE: May 30, 2007

RE: Response to 2007-2008 Budget Analysis Questions

Attached, please find our response to the questions you pose in the Port Authority FY 2007-2008 Budget Analysis. We have also forwarded a copy to the Council Members and City Clerk's Office. Please feel free to contact me should you have any questions.

DETROIT
CITY CLERK

2007 JUN - 5 A 10:15

Copy given Council
06-05-07 (RJ)

8109 E. JEFFERSON AVE., DETROIT, MICHIGAN 48214
TEL: 313-331-3842 FAX: 313-331-5457

1. *Please explain how the Port Authority became involved with the purchase of 13-acres of city land on West Jefferson (Riverside North). This sale was explained to the City Council by the Planning and Development Department that the intent for the land purchase was for the second span of the Ambassador Bridge.*

The Detroit/Wayne County Port Authority did not place an offer on the 13-acres referenced above. We are not involved in this transaction.

2. *With the proposed prohibition of ocean vessels on the Great Lakes, what affect would this have on the Port Authority's development?*

Recently, Terry Johnson, Jr., the Administrator of the Saint Lawrence Seaway Development Corporation gave four compelling reasons why a moratorium on ocean vessels trading in the Great Lakes is a bad idea: 1) it destroys commerce; 2) it's against international law (viz., US-Canadian Boundary Waters Treaty of 1909); it increases surface congestion; and it would cost thousands of jobs. In our opinion, the City of Detroit, Wayne County and the State of Michigan cannot afford any of these effects, and especially in our current economic climate.

Clearly, such a radical and drastic measure would have devastating effects on the Port of Detroit, and all 40+ terminals that reside within the State of Michigan. We are confident that objective, rationale logic will prevail.

3. *Has the parking structure development with GM been completed?*

Yes, our role is complete. The full development, including Asian Village, remains ongoing.

4. *What is the timeline for the Port Authority Public Dock and offices? How will the project be financed?*

We anticipate a 6-8 week schedule for preparing bid packages for construction. We have been advised that it will be a nine to twelve month construction process from there on out. This project is being funded through a \$6 million federal TEA-21 grant secured by Senator Carl Levin, which includes a local match of \$1.5 million by MDOT. Another \$3 million was awarded through a MDEQ, Clean Michigan Initiative, Waterfront Redevelopment Grant.

5. *Why does Wayne County provide \$65,000 more than the city, when the act says the constituent units shall pay equal parts of the remaining 50%?*

Wayne County had increased their payment several years ago to support operational needs related to an increase in project productivity at the Port Authority. The 50% equal parts is the required local match and does not establish a ceiling.

6. *What relationship does the Port Authority have with the Greater Detroit Foreign Trade Zone, Inc.? Who is on the board of this non-profit and what is the mission of the group?*

Greater Detroit Foreign Trade Zone (GDFTZ) is a user-funded, Michigan nonprofit corporation that provides competitive advantages to companies involved in international trade through deferral, reduction or elimination of U.S. Customs duties. The U.S. Foreign-Trade Zone Program was created by special legislation of the U.S. Congress in 1934 to stimulate international trade and create jobs and investment in the U.S. rather than abroad.

A foreign trade zone (FTZ) is an area within the geographical boundary of the United States that is considered to be outside the Customs territory of the U.S. Companies may bring foreign and domestic merchandise into zones for storage, testing, relabeling, displaying, manufacturing, and for the eventual entry into U.S. commerce or for exportation from the U.S. All Customs duties and federal excise taxes are deferred while merchandise is in a zone and, in many instances, these duties or taxes can be substantially reduced or eliminated through zone use.

7. *Why did the Port Authority choose not to sell revenue bonds for the purpose of buying the Marine Terminals and instead borrowed \$2.103 million from the Ambassador Port Company, the Master Concessionaire of the terminal?*

Due to the many components and players involved in a municipal bond issuance, including lawyers, underwriters, trustees, etc. - a bond issuance was cost prohibitive. Typically, port authorities finance projects of a higher dollar amount.

8. *Referring to Note F in the 2006 Financial Statements on page 21, please explain the terms of the 2.5% of the gross receipts that the Ambassador Port Company pays the Port Authority. What outstanding interest, default interest due, etc. are the terms referring to? Aren't the terms of the repayment of both principal and interest of the \$2.103 million spelled out in Note D on page 18 of the same Financial Statements?*

The 2.5% of the gross is the compensation the DWCPA receives under the Agreement. The receipts to date have been applied in total to the payment of interest on the note and to principle in 2006. There is no outstanding interest. Note D defines the terms of the note, but there is no defined requirement for an amortization of the principle. Note D only details an estimate based on projected revenue to the DWCPA of \$250,000 per year (The 2.5% of gross receipts).

9. *Have there ever been surplus operating funds? How can this be determined since the Statement of Activities on page 9 of the Financial Statements rolls up all the activities together?*

There have never been excess operating funds. All grant monies received in Activities are either a reimbursement of actual expenses or a pass through expense payment.

CITY

Detroit/Wayne County Port Authority
Comparison Of 2008 Budget To 2009 Budget
For The Year Beginning October 1, 2008

12/7/2007

<u>ADMINISTRATIVE BUDGET</u>	<u>PROPOSED 2008/2009 BUDGET</u>	<u>APPROVED 2007/2008 BUDGET</u>	<u>DIFFERENCE PROPOSED VS. APPROVED</u>
<u>REVENUE</u>			
GRANT REVENUE:			
STATE	500,000	\$ 500,000	\$ -
COUNTY	315,000	315,000	-
CITY	250,000	250,000	-
FTZ REVENUE	168,000	168,000	-
INTEREST INCOME	5,659	5,659	(0)
RENTAL INCOME	-	-	-
OTHER INCOME	25,000	25,000	-
PORT AUTHORITY RESERVES	-	-	-
TOTAL REVENUE	\$ 1,263,659	\$ 1,263,659	\$ (0)
<u>EXPENSES</u>			
SALARIES AND BENEFITS	\$ 909,605	\$ 909,605	\$ (0)
MARKETING/PROMOTION	35,360	35,360	-
TRAVEL/AUTO	74,783	74,783	-
PRINTING	4,800	4,800	-
OFFICE RENT	60,500	60,500	-
POSTAGE	6,000	6,000	-
TELEPHONE	18,600	18,600	-
UTILITIES	2,160	2,160	-
OFFICE EQUIPMENT	9,000	9,000	-
OFFICE SUPPLIES	7,600	7,600	-
CONF., DUES & SUBSCRIPTIONS	67,800	67,800	-
ANNUAL AUDIT	19,350	19,350	-
CONSULTANTS	18,500	18,500	-
MAINTENANCE & REPAIRS	-	-	-
PROPERTY TAXES	-	-	-
INSURANCE (GEN. LIAB & WC)	17,600	17,600	-
LEGAL	12,000	12,000	-
TOTAL EXPENSES	\$ 1,263,658	\$ 1,263,658	\$ (0)

DETROIT/WAYNE COUNTY
PORT AUTHORITY

FINANCIAL STATEMENTS

September 30, 2007 and 2006

DETROIT/WAYNE COUNTY PORT AUTHORITY

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George Johnson & Company

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(313) 965-2655 • Fax (313) 965-4614

INDEPENDENT AUDITORS' REPORT

February 12, 2008

To the Board of Directors
Detroit/Wayne County Port Authority
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the years ended, September 30, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2007 and 2006, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 12, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Detroit/Wayne County Port Authority
February 12, 2008
Page Two

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The accompanying management's discussion and analysis and schedules of revenue and expenditures - budget and actual (operating fund) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


CERTIFIED PUBLIC ACCOUNTANTS

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2007 and 2006

This section of the annual report of the Detroit/Wayne County Port Authority (the "Authority") presents management's discussion and analysis of the Authority's financial performance during the fiscal years that ended on September 30, 2007 and 2006. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The fiscal year ended September 30, 2007 was a period of continuous operational and financial improvements. During the year, revenue decreased by 19.9 percent, and program expenses decreased by 23.7 percent. As a result, net assets decreased by approximately \$11,900.

Key successes for the Authority this past year include the following:

- A \$1,500,000 grant was received from the Department of Homeland Security during the year ended September 30, 2007, following a \$1,000,000 grant that was received during the year ended September 30, 2006.
- A \$450,000 federal grant from the Transportation Safety Administration to provide funding for the purchase of port security equipment was completed.
- An \$800,000 Environmental Protection Agency Brownfield grant for environmental site investigations within the port of Detroit district was received, which is the second straight year such an award was received.
- The restart of the port of Detroit completed its second full season.
- Construction of the new public dock and terminal began.
- A \$50,000 grant was received from the U.S. Department of Commerce.
- A \$25,000 coastal zone management grant from the Michigan Department of Environmental Quality was received for the planning of a new Great Lakes environmental monitoring and interpretive center.
- A \$20,000 grant was received from the Michigan Department of Environmental Quality for an educational display.
- A \$50,000 grant was received from the DTE Energy Foundation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2007 and 2006

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net assets and statements of activities (which are presented on pages 8 and 9) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 10 and 12) are considered fund financial statements. A further discussion of each type of statement follows.

Government-Wide Financial Statements

The government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net assets include all of the Authority's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Authority's net assets and how they have changed. Net assets represent the difference between the Authority's assets and liabilities, and they represent one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's funds, not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

Most of the Authority's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 11 and 13 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 14, explain some of the information in the financial statements and provide more detailed data. A comparison of the Authority's operating fund revenue and expenditures to its budget is provided on page 24.

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2007 and 2006

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects the condensed statements of net assets as of September 30, 2007, 2006, and 2005:

Table 1
Statements of Net Assets
September 30, 2007, 2006, and 2005
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Cash	\$ 472.3	\$ 522.2	\$ 917.0
Accounts receivable	191.5	189.3	234.6
Capital assets	4,763.9	4,786.8	4,819.0
Other assets	30.5	26.3	187.9
Total Assets	<u>5,458.2</u>	<u>5,524.6</u>	<u>6,158.5</u>
Liabilities:			
Long-term liabilities	1,969.5	1,990.1	2,125.1
Other liabilities	290.4	324.3	678.6
Total Liabilities	<u>2,259.9</u>	<u>2,314.4</u>	<u>2,803.7</u>
Net Assets:			
Invested in capital assets, net of related debt	2,692.4	2,703.1	2,693.9
Unrestricted	505.9	507.1	660.9
Total Net Assets	<u>\$ 3,198.3</u>	<u>\$ 3,210.2</u>	<u>\$ 3,354.8</u>

Accounts receivable balances are reviewed for collectibility and are written off as necessary. As of September 30, 2007 and 2006, no allowance was considered necessary. Capital assets include the acquisition of the 35-acre port of Detroit marine cargo terminal.

Long-term liabilities decreased due to a reduction in the note payable associated with the acquisition of the port of Detroit marine terminal.

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2007 and 2006

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects the condensed statements of activities for the years ended September 30, 2007, 2006, and 2005:

Table 2
Statements of Activities
For the Years Ended September 30, 2007, 2006, and 2005
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue:			
Program revenue:			
Contracts and grants	\$ 1,766.2	\$ 2,164.2	\$ 1,698.3
Other program revenue	25.0	125.0	400.0
General revenue:			
Administrative revenue	168.0	173.6	184.9
Other revenue	112.3	123.9	123.5
Total Revenue	2,071.5	2,586.7	2,406.7
Expenses:			
Import and export promotional programs	2,083.4	2,731.3	2,404.8
Net Increase (Decrease) in Net Assets	(11.9)	(144.6)	1.9
Net Assets, Beginning of Year	3,210.2	3,354.8	3,352.9
Net Assets, End of Year	\$ 3,198.3	\$ 3,210.2	\$ 3,354.8

Grant revenue decreased significantly due to a decrease in federal highway grant revenue for the public dock and terminal; this decrease was partially offset by an increase in the Brownfield grant.

The Authority will use future proceeds from its Tea-21 grant and future State of Michigan matches to construct a new public dock and terminal facility to further waterfront development and tourism. This project is planned for completion in late 2008 and will further increase the Authority's waterfront presence.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2007 and 2006

ECONOMIC FACTORS

The Board of Directors and management have worked diligently to improve the financial position of the Authority and to implement plans and projects that will reduce the dependency for tax-based funding to meet administrative expenses. Under the Port of Detroit project, the Authority acquired the Detroit Marine Terminals property at the foot of Clark Street and Jefferson in Detroit and entered into an operating agreement with a new company in July 2005. In the project's first full year of operation, the Port of Detroit returned to historical levels. This milestone to implement those plans and projects will substantially increase revenue to the Authority, promote economic development in the port district, and greatly improve commerce within the region.

The site for the new Public Dock and Terminal Facility was chosen to be a part of the new Riverwalk Conservancy, adjacent to General Motors' World Headquarters at the foot of Bates Street. Possession of the project parcel was taken in August 2004, and construction began in November 2005. The project is scheduled for completion in late 2008 so it will be available for the 2009 Great Lakes cruise ship season. This project will greatly promote tourism in southeast Michigan and have a very significant economic impact on the region. The Authority plans on moving its offices into the new Terminal Facility and reducing administrative expenses by terminating its current office lease.

The Authority has prioritized waterfront economic development and is using its legislatively enabled powers to aggressively seek grant monies from federal and state agencies to fund all categories of projects, promoting commerce, tourism, and environmental stewardship. This coming year, the Authority will receive and spend over \$10 million in grant monies that have been awarded for projects along the Detroit waterfront.

Presently, all of the projects that will have a significant economic impact for the Authority are in the implementation stages, and the full benefits will not be fully realized in the immediate future. The dependency of the Authority for continued tax-based funding for the administrative function is critical to the ongoing success of the Authority. Any significant reductions in the funding level of the Authority will result in a reduction of program services and the demonstrated benefits those projects and services provide.

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer's office of the Detroit/Wayne County Port Authority at 8109 East Jefferson, Detroit, Michigan 48214.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF NET ASSETS

September 30, 2007 and 2006

	Governmental Activities	
	2007	2006
Assets:		
Cash	\$ 472,287	\$ 522,179
Accounts receivable (no allowance considered necessary)	191,501	189,342
Prepaid expenses	17,464	13,213
Deposits	13,000	13,000
Capital assets (Note C):		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets, net	787,002	809,880
Total Assets	5,458,194	5,524,554
Liabilities:		
Accounts payable	106,443	48,328
Accrued expenses	81,918	182,367
Long-term liabilities (Note D):		
Due or expected to be paid within one year	102,099	93,565
Due or expected to be paid in more than one year	1,969,450	1,990,131
Total Liabilities	2,259,910	2,314,391
Net Assets:		
Invested in capital assets, net of related debt	2,692,393	2,703,124
Unrestricted	505,891	507,039
Total Net Assets	\$ 3,198,284	\$ 3,210,163

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2007 and 2006

	Governmental Activities	
	2007	2006
Expenses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 878,501	\$ 807,369
Contractual and professional services	55,592	126,870
Facility operations and maintenance	86,916	199,637
Office expenses	94,368	121,090
Site reclamation and redevelopment	521,756	1,004,847
Travel and automotive expenses	138,976	113,519
Conferences, dues, and subscriptions	67,587	85,813
Marketing and promotion	51,135	75,205
Interest expense	162,158	165,714
Depreciation (Note C)	26,440	31,236
Total Program Expenses	2,083,429	2,731,300
Program Revenue:		
Contracts and grants (Note F)	1,766,171	2,164,155
Project development and administration	25,000	125,000
Total Program Revenue	1,791,171	2,289,155
Net Program Expense	292,258	442,145
General Revenue:		
Administrative revenue (Note B)	168,000	173,635
Rental income	-0-	57,765
Interest income	18,067	16,411
Gain (loss) on disposition of capital assets	-0-	(1,753)
Miscellaneous income	94,312	51,436
Total General Revenue	280,379	297,494
Net Increase (Decrease) in Net Assets	(11,879)	(144,651)
Net Assets, Beginning of Year	3,210,163	3,354,814
Net Assets, End of Year	\$ 3,198,284	\$ 3,210,163

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

September 30, 2007 and 2006

	<u>Operating Fund</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 472,287	\$ 522,179
Accounts receivable (no allowance considered necessary)	191,501	189,342
Prepaid expenditures	17,464	13,213
Deposits	13,000	13,000
Total Assets	<u>\$ 694,252</u>	<u>\$ 737,734</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 106,443	\$ 48,328
Accrued expenses	15,239	129,590
Total Liabilities	121,682	177,918
Fund Balance:		
Unreserved	572,570	559,816
Total Liabilities and Fund Balance	<u>\$ 694,252</u>	<u>\$ 737,734</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO
STATEMENTS OF NET ASSETS**

September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Total Fund Balance, Governmental Funds	\$ 572,570	\$ 559,816
Amounts reported for governmental activities in the statements of net assets differ from amounts reported in the governmental funds balance sheets due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets:		
Cost	928,344	924,782
Less: Accumulated depreciation	(141,342)	(114,902)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:		
Note payable	(2,071,549)	(2,083,696)
Accrued payroll	<u>(66,679)</u>	<u>(52,777)</u>
Total Net Assets, Governmental Activities	<u>\$ 3,198,284</u>	<u>\$ 3,210,163</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS**

For the Years Ended September 30, 2007 and 2006

	Operating Fund	
	2007	2006
Revenue:		
Contracts and grants (Note F)	\$ 1,766,171	\$ 2,164,155
Administrative revenue (Note B)	168,000	173,635
Project development and administration	25,000	125,000
Rental income	-0-	57,765
Interest income	18,067	16,411
Miscellaneous income	94,312	51,436
Total Revenue	2,071,550	2,588,402
Expenditures:		
Current:		
Salaries, wages, and employee benefits	864,599	805,771
Contractual and professional services	55,592	126,870
Facility operations and maintenance	86,916	199,637
Office expenses	94,368	121,090
Site reclamation and redevelopment	521,756	1,004,847
Travel and automotive expenses	138,976	113,519
Conferences, dues, and subscriptions	67,587	85,813
Marketing and promotion	51,135	75,205
Interest expense	162,158	165,714
Debt service (Note D)	12,147	41,370
Capital outlay (Note C)	3,562	847
Total Expenditures	2,058,796	2,740,683
Net Increase (Decrease) in Fund Balance	12,754	(152,281)
Fund Balance, Beginning of Year	559,816	712,097
Fund Balance, End of Year	\$ 572,570	\$ 559,816

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Net Increase (Decrease) in Fund Balance, Governmental Funds	\$ 12,754	\$ (152,281)
Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balance due to the following:		
Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. During the years presented, these amounts are as follows:		
Capital outlay	3,562	847
Less:		
Depreciation expense	(26,440)	(31,236)
Loss on disposition of capital assets	-0-	(1,753)
Certain expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. During the years presented, these amounts are as follows:		
Accrued payroll, beginning of year	52,777	51,179
Less: Accrued payroll, end of year	(66,679)	(52,777)
Proceeds issued on long-term debt are reported as a financing source, and repayment of long-term debt is reported as an expenditure in governmental funds, but the proceeds and repayment increase and decrease, respectively, long-term liabilities in the statements of net assets. During the years presented, these amounts are as follows:		
Repayment of note payable	<u>12,147</u>	<u>41,370</u>
Net Increase (Decrease) in Net Assets, Governmental Activities	<u>\$ (11,879)</u>	<u>\$ (144,651)</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Detroit/Wayne County Port Authority (the "Authority") was created by the Port Authority Act of 1978. The legislation enables the Authority to enter into contracts for the acquisition, improvement, enlargement, or extension of port facilities. The mission of the Authority is to plan, develop, and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and southeast Michigan as an import and export freight transportation and distribution hub for the United States, Canada, and the world marketplace.

For financial reporting purposes, the Authority is not a component unit of any other governmental entity. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

The financial statements of the Authority consist of government-wide financial statements, which include the statements of net assets and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and fund balance for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of the Authority's assets, liabilities, net assets, revenue, and expenses, similar to the financial statements of non-governmental enterprises.

Fund Financial Statements

For purposes of the fund financial statements, the accounts of the Authority are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds are summarized by type in the fund financial statements. The following fund is used by the Authority:

Operating Fund

The operating fund is the general operating fund of the Authority. It is used to account for all financial resources other than those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned, and expenses are recorded when incurred. Contracts and grants provided to support program activities, as well as project development and administration fees, are classified as program revenue. Administrative, rental, investment, and other income not directly associated with program services provided are classified as general revenue.

Fund Financial Statements

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Tax-Exempt Status

No provision has been established for income taxes since the Authority is exempt from income taxes under Internal Revenue Code section 501(c)(4).

Cash Deposits

State of Michigan statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to the Authority. The Authority does not have a deposit policy for custodial credit risk.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Deposits (continued)

As of September 30, 2007 and 2006, the Authority's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2007</u>	<u>2006</u>
Carrying amount of deposits	\$ 472,287	\$ 522,179
Total bank balances	<u>\$ 508,169</u>	<u>\$ 583,598</u>
Uninsured and uncollateralized bank balances	<u>\$ 405,911</u>	<u>\$ 383,598</u>

Capital Assets

Capital assets are recorded at historical cost. The Authority capitalizes all expenditures for furniture, fixtures, and equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense. Renewals or betterment which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

Compensated Absences

Vacation time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over a maximum of 40 days. Upon termination, employees are entitled to their unused accumulated vacation time.

Sick time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over all sick time. Upon termination, employees forfeit their unused accumulated sick time.

In the fund financial statements, only the matured liability for compensated absences is recorded. The total liability for vacation is reported in the government-wide financial statements.

NOTE B - ADMINISTRATIVE REVENUE

The Authority provides administrative services for Greater Detroit Foreign Trade Zone, Inc. ("GDFTZ"). Total fees were \$168,000 and \$173,635 for the years ended September 30, 2007 and 2006, respectively. The balance receivable from GDFTZ as of September 30, 2007 and 2006 was \$14,000 and \$42,460, respectively.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE C - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended September 30, 2007 and 2006 is as follows:

	<u>Land</u>
Balance, October 1, 2005	\$ 3,976,940
Balance, September 30, 2006	<u>3,976,940</u>
Balance, September 30, 2007	<u><u>\$ 3,976,940</u></u>

Depreciable capital asset activity for the years ended September 30, 2007 and 2006 is as follows:

	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost:				
Balance, October 1, 2005	\$ 826,060	\$ 135,355	\$ 86,312	\$ 1,047,727
Acquisitions		847		847
Less: Dispositions		(95,523)	(28,269)	(123,792)
Balance, September 30, 2006	<u>826,060</u>	<u>40,679</u>	<u>58,043</u>	<u>924,782</u>
Acquisitions		3,562		3,562
Balance, September 30, 2007	<u><u>\$ 826,060</u></u>	<u><u>\$ 44,241</u></u>	<u><u>\$ 58,043</u></u>	<u><u>\$ 928,344</u></u>
Accumulated Depreciation:				
Balance, October 1, 2005	\$ 4,413	\$ 119,730	\$ 81,562	\$ 205,705
Depreciation expense	21,181	7,914	2,141	31,236
Less: Dispositions		(94,974)	(27,065)	(122,039)
Balance, September 30, 2006	<u>25,594</u>	<u>32,670</u>	<u>56,638</u>	<u>114,902</u>
Depreciation expense	21,181	4,887	372	26,440
Balance, September 30, 2007	<u><u>\$ 46,775</u></u>	<u><u>\$ 37,557</u></u>	<u><u>\$ 57,010</u></u>	<u><u>\$ 141,342</u></u>
Net Depreciable Capital Assets:				
Balance, September 30, 2006	\$ 800,466	\$ 8,009	\$ 1,405	\$ 809,880
Balance, September 30, 2007	<u><u>\$ 779,285</u></u>	<u><u>\$ 6,684</u></u>	<u><u>\$ 1,033</u></u>	<u><u>\$ 787,002</u></u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE D - LONG-TERM LIABILITIES

During the year ended September 30, 2005, the Authority entered into a Master Concession Agreement with the Ambassador Port Company ("Ambassador") which gives Ambassador the right to operate the Authority's port facilities. In connection with the Master Concession Agreement, the Authority borrowed \$2,103,000 from Ambassador. The related note agreement includes a provision for the possible advance of future amounts by Ambassador for the purpose of paying certain operating and expansion costs of the facilities associated with the Master Concession Agreement.

The note bears interest at a rate defined in the Master Concession Agreement as 300 basis points over the yield to maturity of five-year United States Treasury notes as published in a respected financial journal. The interest rate can never be less than six percent. The rates in effect as of September 30, 2007 and 2006 were 7.23 percent and 7.59 percent, respectively. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement.

Long-term liability activity for the years ended September 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 2,083,696	\$ 2,125,066
Less: Repayments	<u>(12,147)</u>	<u>(41,370)</u>
Balance, End of Year	<u>\$ 2,071,549</u>	<u>\$ 2,083,696</u>
Amounts due within one year	<u>\$ 102,099</u>	<u>\$ 93,565</u>

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2007:

For the Years			
<u>Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 102,099	\$ 147,901	\$ 250,000
2009	110,562	139,438	250,000
2010	118,774	131,226	250,000
2011	127,598	122,402	250,000
2012	137,076	112,924	250,000
2013-2017	854,115	395,885	1,250,000
2018-2021	<u>621,325</u>	<u>66,486</u>	<u>687,811</u>
	<u>\$ 2,071,549</u>	<u>\$ 1,116,262</u>	<u>\$ 3,187,811</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE D - LONG-TERM LIABILITIES (CONTINUED)

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year will be 7.23 percent, which is equal to the effective interest rate as of September 30, 2007, and that the revenue received by the Authority under the relevant sections of the Master Concession Agreement will be \$250,000 each year. Due to the nature of these assumptions and the uncertainties inherent in setting these assumptions, it is at least reasonably possible that changes in the near term to these assumptions would be material to the preceding schedule.

NOTE E - LEASES

The Authority leases a building for office space under an operating lease. The lease has an annual renewal option, with the ability to terminate the lease at any time with six months' notice.

The Authority leased office equipment under an operating lease. The term of this lease expired in December 2005.

The following is a schedule by years of future minimum lease payments under operating leases as of September 30, 2007:

<u>For the Year</u>	<u>Amount</u>
<u>Ending September 30</u>	
2008	\$ 10,762

Rental expense under operating leases for the years ended September 30, 2007 and 2006 was \$74,104 and \$120,500, respectively.

NOTE F - CONTRACTS AND GRANTS

The Authority has entered into contracts with the following governmental entities from which the Authority receives operating funds:

State of Michigan

The Authority's contract with the Michigan Department of Transportation ("MDOT") is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be negotiated annually.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

County of Wayne

The Authority receives a line-item appropriation in the budget of the County of Wayne. The amount of funding for future years under the appropriation will be negotiated annually.

City of Detroit

The Authority's contract with the City of Detroit is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be negotiated annually.

The Authority has also obtained the following grants:

Federal Highway Grant

The Authority received a reimbursement grant from MDOT to construct the public dock and terminal facility on specific properties. Reimbursable costs incurred under this grant for the years ended September 30, 2007 and 2006 have been recorded as grant revenue in the accompanying financial statements.

Waterfront Redevelopment Grant

On July 3, 2003, the Authority received a \$3 million reimbursement grant from the Michigan Department of Environmental Quality ("MDEQ") for the purpose of purchasing property to enhance public access to the riverfront through improvements to the infrastructure. The grant agreement expired on August 4, 2004. Reimbursable costs incurred under this grant for the year ended September 30, 2006 have been recorded as grant revenue in the accompanying financial statements.

Brownfield Grant

The Authority received a \$400,000 Brownfield grant from the Environmental Protection Agency for environmental site investigations within the port of Detroit district. The Authority provides status reports on a quarterly basis. The grant agreement was renewed on September 1, 2006, and a new grant was awarded October 1, 2006 for \$400,000. Reimbursable costs incurred under this grant for the years ended September 30, 2007 and 2006 have been recorded as grant revenue in the accompanying financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

Michigan Department of Environmental Quality Design Grant

The Authority received a \$20,040 grant from the MDEQ to provide funding for the design and planning of the Authority's Environmental Monitoring Station and the Great Lakes Educational Center. The grant provides 50 percent of the total cost incurred for the project from January 1, 2005 through March 31, 2006.

Ambassador Port Revenue

The Authority entered into a Master Concession Agreement with Ambassador. The Authority's main purpose for entering into this agreement is to cause a dormant port facility to resume operations. The parties agreed that the Authority is to be compensated for out-of-pocket and administrative costs that the Authority incurs. According to the Master Concession Agreement, Ambassador shall pay the Authority 2.5 percent of gross receipts received in each quarter, less all outstanding interest that accrued during that quarter, any default interest due, and any interest accrued during prior quarters that was added to the principal amount of the promissory note. During the years ended September 30, 2007 and 2006, the Authority received \$173,623 and \$207,043, respectively, which was recorded as contract revenue.

Total contract and grant revenue is summarized as follows:

	<u>2007</u>	<u>2006</u>
State of Michigan	\$ 500,000	\$ 500,000
County of Wayne	250,000	315,000
City of Detroit	250,000	250,000
Federal highway grant	257,824	673,577
Waterfront redevelopment grant	-0-	91,343
Brownfield grant	328,524	107,152
MDEQ design grant	6,200	20,040
Ambassador port revenue	173,623	207,043
	<u>\$ 1,766,171</u>	<u>\$ 2,164,155</u>

NOTE G - RISK MANAGEMENT

Given the normal activities of the Authority and the relatively low rate of claims and lawsuits experienced in the Authority's past history, the risk involved in the Authority's operations is minimal and, in management's opinion, is sufficiently covered by insurance policies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2007 and 2006

NOTE H - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board ("GASB") has issued Statement of Governmental Accounting Standards ("SGAS") No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." SGAS No. 49 modifies the accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups. This Statement requires an entity to estimate the components of expected pollution remediation outlays upon the occurrence of one of five specified events and to determine whether outlays for these components should be accrued as a liability or, under certain circumstances, whether these outlays should be capitalized. SGAS No. 49 applies to the Authority's financial statements for the year ending September 30, 2009. The Authority's management does not anticipate the implementation of this Statement to have any impact on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT/WAYNE COUNTY PORT AUTHORITY

SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - OPERATING FUND (UNAUDITED)

For the Years Ended September 30, 2007 and 2006

	2007				2006			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Contracts and grants	\$ 1,065,000	\$ 1,000,000	\$ 1,766,171	\$ 766,171	\$ 1,065,000	\$ 1,065,000	\$ 2,164,155	\$ 1,099,155
Administrative revenue	168,000	168,000	168,000	-0-	176,856	176,856	173,635	(3,221)
Project development and administration		25,000	25,000	-0-			125,000	125,000
Rental income	2,910	7,000		(7,000)	86,810	86,810	57,765	(29,045)
Interest income	5,930	2,100	18,067	15,967	5,509	5,509	16,411	10,902
Miscellaneous income			94,312	94,312			51,436	51,436
Total Revenue	1,241,840	1,202,100	2,071,550	869,450	1,334,175	1,334,175	2,588,402	1,254,227
Expenditures:								
Current:								
Salaries, wages, and employee benefits	872,670	872,670	864,599	8,071	877,640	877,640	805,771	71,869
Contractual and professional services	60,500	57,500	55,592	1,908	73,500	73,500	126,870	(53,370)
Facility operations and maintenance	103,485	91,300	86,916	4,384	142,000	142,000	199,637	(57,637)
Office expenses	82,590	63,200	94,368	(31,168)	114,780	114,780	121,090	(6,310)
Site reclamation and redevelopment			521,756	(521,756)			1,004,847	(1,004,847)
Travel and automotive expenses	60,900	60,900	138,976	(78,076)	64,560	64,560	113,519	(48,959)
Conferences, dues, and subscriptions	41,695	41,530	67,587	(26,057)	41,695	41,695	85,813	(44,118)
Marketing and promotion	20,000	15,000	51,135	(36,135)	20,000	20,000	75,205	(55,205)
Interest expense			162,158	(162,158)			165,714	(165,714)
Debt service			12,147	(12,147)			41,370	(41,370)
Capital outlay			3,562	(3,562)			847	(847)
Total Expenditures	1,241,840	1,202,100	2,058,796	(856,696)	1,334,175	1,334,175	2,740,683	(1,406,508)
Net Increase (Decrease) in Fund Balance	\$ -0-	\$ -0-	\$ 12,754	\$ 12,754	\$ -0-	\$ -0-	\$ (152,281)	\$ (152,281)

See note to schedules of revenue and expenditures - budget and actual (operating fund).

DETROIT/WAYNE COUNTY PORT AUTHORITY

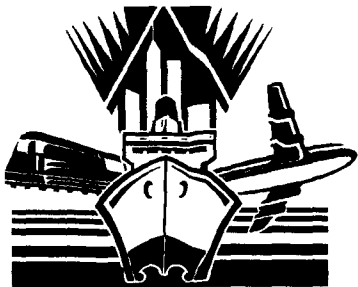
**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - OPERATING FUND (UNAUDITED)**

For the Years Ended September 30, 2007 and 2006

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The Detroit/Wayne County Port Authority (the "Authority") establishes a budget that is reflected in the financial statements for the operating fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented to and approved by the Authority's Board of Directors. No amendments to the budget were made during the year. Appropriations are authorized by the Authority's management. Unexpended appropriations lapse at the end of the fiscal year.



- It is the largest in the United States.
- It helps stimulate economic development by providing businesses with facilities for conducting international trade activities.
- It is equipped with the latest computerized inventory and release systems.
- It provides value-added services, such as testing, repackaging, sampling, relabeling, repairing and subassembly.
- It offers firms opportunities to cut costs, reduce duty rates and defer tariffs, and helps keep cash flow and the bottom line healthy and strong.

What is IT? Greater Detroit Foreign Trade Zone, Inc.

Greater Detroit Foreign Trade Zone, Inc. (GDFTZ) is a user-funded, Michigan nonprofit corporation that provides competitive advantages to companies involved in international trade through deferral, reduction or elimination of U.S. Customs duties. By maximizing the use of foreign trade zones by existing prospective businesses, GDFTZ helps ensure the competitive marketing position of firms in both international and domestic markets.

What is a Foreign Trade Zone (FTZ)? The U.S. Foreign-Trade Zone Program was created by special legislation of the U.S. Congress in 1934 to stimulate international trade and create jobs and investment in the U.S. rather than abroad. A foreign trade zone (FTZ) is an area within the geographical boundary of the United States that is considered to be outside the Customs territory of the U.S. Companies may bring foreign and domestic merchandise into zones for storage, testing, relabeling, displaying, manufacturing, and for the eventual entry into U.S. commerce or for exportation from the U.S. All Customs duties and federal excise taxes are deferred while merchandise is in a zone and, in many instances, these duties or taxes can be substantially reduced or eliminated through zone use. The growth of foreign trade zones is dramatic – as of 1970, 16 zone projects had been approved, while today there are nearly 600 general-purpose zones and subzones in 49 states.

GDFTZ. Greater Detroit Foreign Trade Zone, Inc. is the largest zone program in the United States in terms of the value of products leaving the zones and the number of zone sites. In recent years, local firms have annually shipped more than \$34 billion in goods from GDFTZ facilities. These goods have typically included automobiles, trucks and auto parts. At the same time, more than \$2 billion in goods have been exported annually from the zone.

GREATER DETROIT
FOREIGN TRADE ZONE, INC.

Within the GDFTZ program there are many private operators of general-purpose zone sites with facilities in Detroit, Ecorse, Riverview, Romulus, Plymouth, Trenton, Melvindale and Ypsilanti, Michigan. These general-purpose zones are usually warehouses that customize services and space to meet the needs of the user, and are located at international port terminals, at the international airport, near the bridge and tunnel to Canada, in manufacturing centers and at major interstate highway accesses.

Additionally there are many subzones of the GDFTZ. A subzone is a manufacturing facility which has obtained its own zone status in order to operate more effectively. Should a firm's foreign trade zone needs not be accommodated by an existing location, additional FTZ status can generally be granted for an existing facility within 90 days of application.

Why use a foreign-trade zone? Firms use trade zones to maintain the cost competitiveness of their U.S.-based operations compared with their foreign-based competitors. Zone status provides a firm the opportunity to reduce certain operating costs associated with a U.S. location that are avoided when operating from a foreign site. Cash flow savings are achieved by: 1) Deferring the payment of Customs duties and excise taxes until merchandise is shipped from the zone into the U.S. market, or 2) Allowing the manufacture, manipulation or assembly of articles using imported components and paying a lower duty rate for the finished article than a firm would have paid on the individual components. This allows firms to warehouse goods in the U.S. at locations near their markets or distribution centers, while keeping down their inventory costs. If goods are exported from the zone, no duties or taxes are owed.

Who uses trade zones? Ninety percent of firms using trade zones are U.S.-based and 75 percent of all merchandise received in trade zones is domestic. Over 2,600 firms use FTZs. In addition, local governments and economic development agencies have found that establishing a trade zone contributes to an area's commercial attractiveness.

Historically, the automobile industry has been the largest user of foreign trade zones to help them retain and increase U.S. production. Now, other companies, from a wide array of industries, are experiencing similar benefits. Examples of users of zones include:

- IBM Corporation - utilizes subzone status to manufacture personal computer articles for U.S. and overseas sales
- Eastman Kodak Company - uses subzone status for a wide variety of photographic equipment-related activity in order to maintain world-wide competitiveness
- Miles, Inc. - produces a wide range of agricultural chemicals in foreign trade subzone status for import and significant export activity
- Northwest Airlines - uses zone status to store fuel for its international flights

The real economic development incentive for the hundreds of companies and governments that support zones across the country is the ability to maintain and attract investment and jobs in the United States that might otherwise locate overseas.

MISSION STATEMENT

To promote commerce and enhance trade opportunities within the global marketplace through the Port of Detroit, by implementing creative economic development solutions that complement our governing units.



DETROIT/WAYNE COUNTY PORT AUTHORITY

2006 Annual Community Report

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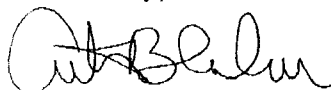
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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

I begin by thanking the Port Authority staff and members of the Board of Directors for their dedication and hard work that made 2006 a turning point for the Port of Detroit, yielding a significant positive economic impact on Detroit's economy. Also, the DWCPA successfully financed its first project with General Motors by using its revenue bonds. We can take pride in these achievements but we will not rest on our laurels. We must keep up with the rapid rate of change in this worldwide marketplace.

The role of the Port of Detroit is significant in helping transform the state's ailing economy. It's clear that a vital Port Authority is an essential element in keeping our city, region and the State of Michigan competitive and viable in the global economy.

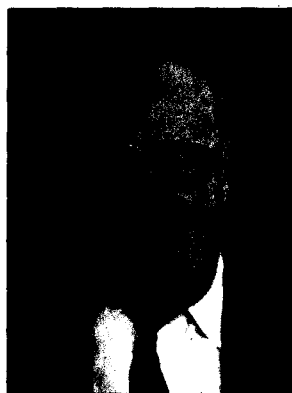
Sincerely,



Arthur B. Blackwell, II
Chairman of the Board



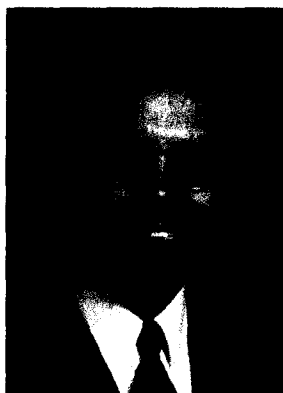
ARTHUR B. BLACKWELL, II
*Chairman of the Board,
President and
Chief Executive Officer of the Deway
Development Corporation*



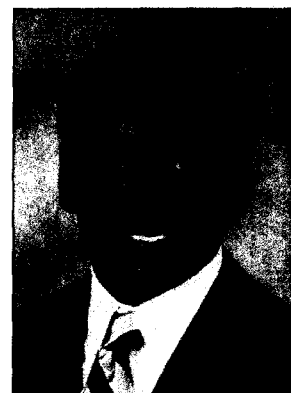
BYRON F. KELLEY
*Vice Chairman of the Board
Seafarers International Union
Retired*



PHILIP B. FISCHER
*President
Philip B. Fischer Co.*



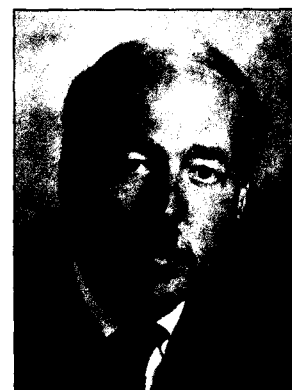
RODERICK GILLUM
*Vice President of Corporate
Relations and Diversity
General Motors Corporation*



DERRICK A. MILLER
*Chief Information Officer
City of Detroit*

MESSAGE FROM THE EXECUTIVE DIRECTOR

The Port of Detroit has helped transform Michigan's economy. We are building on every success and are aggressively seeking new opportunities to stimulate economic development and create new jobs. We will continue our efforts to attract new opportunities in the areas of homeland security, alternative energy and green technology companies to southeastern Michigan. Furthermore, we will pursue new international trade opportunities and investment in the region.



CURTIS HERTEL
Executive Director

Our efforts to spearhead the revival of cruising on the Great Lakes will include marketing Detroit as a world-class destination for tourism and related business. We will pursue opportunities to educate various industries on the many benefits of using the St. Lawrence Seaway "Highway H20" for greater efficiencies in Michigan's economic transformation.

The Port Authority will continue to play a role in educating our youth on the significance of the Port of Detroit to the state's economic growth. We will increase our investment in education by partnering with the public school districts in developing maritime education and career opportunities. We are dedicated to playing a role to help our youth succeed by exposing them to higher paying maritime-related jobs.

From the Port of Detroit, to the site of our new Public Dock and Terminal Project, to Beaubien Place and beyond, the Detroit/Wayne County Port Authority is on the move. From the classroom to the boardroom, awareness of our mission and our success continues to grow. We continue to make Detroit and Wayne County the place to live, work and play.

Regards,

A handwritten signature in cursive script, appearing to read "Curtis Hertel".

Curtis Hertel
Executive Director

ECONOMIC DEVELOPMENT



Photo left to right: Curtis Hertel, Edna Bell, Faye Nelson, Arthur B. Blackwell, II, Anthony Adams, Matt Cullen, The Honorable Alisha Bell, Robert A. Davis, Dominic Pangborn.

BEAUBIEN PLACE MIXED-USE PARKING AND RETAIL FACILITY

In March of 2006, the DWCPA took part in General Motors' (GM) unveiling and ribbon-cutting of Beaubien Place, a mixed-use parking and retail facility on the Detroit Riverfront adjacent to GM's World Headquarters at the Renaissance Center. Beaubien Place is the first project financed by the DWCPA using its revenue bonds. The project brings approximately 1,200 parking spots on top of 18,000 square feet of retail to the Detroit Riverfront, facilitating parking requirements for thousands of employees of GM and the Renaissance Center. The retail space is designated for the Asian Village and Marketplace set to open in 2007. Asian Village will include a unique Asian-Fusion restaurant and market stocked with foods and ingredients unique to a diverse array of Asian cuisine.

The project costs approximately \$34 million and was financed with the DWCPA's revenue bonding capacity. Port authorities throughout the country have long been used to structure financing for various capital assets that enhance economic development and investment on behalf of larger companies, corporations and industries. Increasingly, Port authorities are being used off the waterfront, and in their respective communities, to facilitate development on a wide range of activities. Parking facilities, manufacturing property and equipment, health care facilities, stadiums and marinas are a few examples of projects being financed.

ECONOMIC DEVELOPMENT

PORT OF DETROIT, A PUBLIC-PRIVATE PARTNERSHIP

2006 marked the first full year of operations at the newly revitalized Port of Detroit, at the foot of Clark Street in southwest Detroit. This 35-acre facility is the City of Detroit's only remaining general cargo terminal, mainly used to import foreign steel cargoes that supplement the automotive manufacturing centers throughout the Detroit region. 2006 saw over 70 vessels, from more than a dozen countries, call on the Port of Detroit resulting in approximately 700,000 tons of steel products. According to the St. Lawrence Seaway Development Corporation, this generates approximately \$175 million in economic impact to the surrounding community in the form of jobs, personal income and business revenues. The DWCPA continues to market this facility throughout the world with the help of the St. Lawrence Seaway Development Corporation, U.S. Department of Transportation (U.S. DOT), and through its unique partnership with the U.S. Department of Commerce at the DWCPA's downtown Detroit headquarters.



DETROIT/WAYNE COUNTY
PORT AUTHORITY



NICHOLSON TERMINAL
& DOCK COMPANY



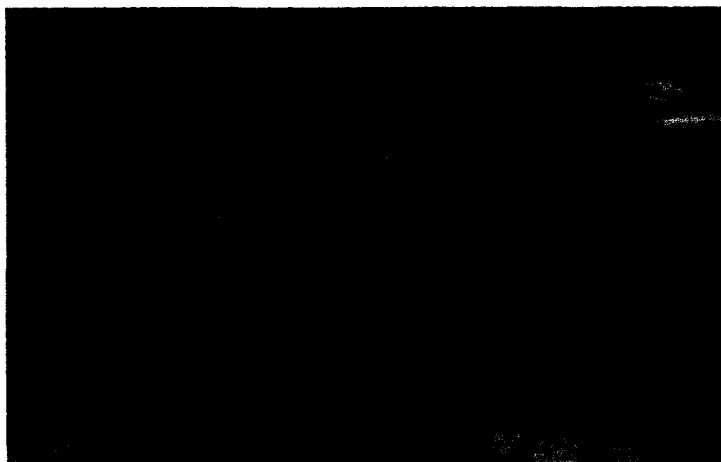
AMBASSADOR PORT
COMPANY



ECONOMIC DEVELOPMENT

PUBLIC DOCK AND TERMINAL

Development continued in 2006 of the DWCPA Public Dock & Terminal Project, a \$11.25 million project, slated for opening in the fourth quarter of 2007. Full site programming and design was completed in 2006 including preliminary construction costs. Geotechnical and subsurface work continued in preparation for foundation work. The Public Dock & Terminal will feature a unique off-shore wharf, designed to help facilitate visits from deeper draft vessels. Wharf design will be completed in the Fall of 2007. Finally, the DWCPA Board of Directors approved selection of a joint-venture construction management team to begin work. The project is expected to commence with construction in the fall of 2007. The DWCPA would like to extend its most sincere appreciation to Senator Carl Levin for his ongoing leadership and support for this project.



**FORDSON
ISLAND**

The DWCPA, in collaboration with the Rouge River Gateway Partnership, has been working to add another piece to the Partnership's highly successful greenway corridor along the lower and upper Rouge River corridor. The Port Authority spent most of 2006 investigating the subsurface and environmental condition of Fordson Island in far southwest Detroit. This 10-acre island is part of the Rouge River Gateway Partnership Greenway Revitalization Project, and the centerpiece of a possible revitalization of the Oakwood Heights neighborhood. Together with Southwest Detroit Environmental Vision, and the property's owner, Marathon Petroleum, final environmental testing and surveys are underway that could allow for a transfer of property from Marathon to the Port Authority. Approximately \$50,000 in total investment has been made to the project.

GRANTS

U.S. EPA BROWNFIELD ASSESSMENT GRANT

The DWCPA was awarded its second consecutive U.S. EPA Brownfield Assessment Grant in 2006, bringing total funding to \$800,000. This collaborative partnership with the City of Detroit and Wayne County has leveraged approximately \$384 million in investment, close to 455 jobs, and \$4.8 million in new tax revenues to the City of Detroit. Investments have been made into notable projects such as the Atwater Lofts, GM/Hines Parcel C, Southwest Solutions 285 Piquette Project, and a collection of projects for Mexicantown and Corktown CDCs.



Project Highlights:

- Atwater Lofts: 480 market-rate residential units on the downtown Detroit waterfront.
- RHI (GM)/Hines Group: 75 market-rate residential units within River East.
- Southwest Solutions: Crain's 2005 Nonprofit of the Year-Lithuanian Hall, 285 Piquette.
- Naillah, LLC: New affordable housing units near New Center.
- Detroit Elevator Building: 20 market-rate residential units with café in Rivertown area.

U.S. DEPARTMENT OF HOMELAND SECURITY PORT SECURITY GRANT

The Detroit/Wayne County Port Authority, in collaboration with the Wayne County Sheriff's Office, and its Marine Enforcement Unit, were successful in obtaining over \$1 million in Port Security Grant funding through the U.S. Department of Homeland Security. The federal funding will be used to purchase additional vessels that will patrol the full 32-mile stretch of the Detroit River, through Wayne County, and help secure its high-profile assets including the GM World Headquarters, two international border crossings, several petroleum marine terminals and a regional water supply.

This is the second grant award in three years the Port Authority has secured from the U.S. Department of Homeland Security. Its total funding over those three years to DWCPA is over \$1.5 million.



COMMUNITY OUTREACH

DWCPA HOSTS RIVER TOUR FOR MACK ALIVE'S YOUTH

On August 3, 2006, the DWCPA hosted forty students with lunch and a tour of the Detroit River aboard the Diamond Jack's Belle river boat. The 40 youths were enrolled in Mack Alive's summer Youth Enrichment Program . . . Buddies in Business, founded by Detroit City Council Member Alberta Tinsley-Talabi. The river tour was one of the many field trips the group took to a local business during the summer program. During the tour the group explored the significance of the Detroit riverfront development projects. Afterwards, they enjoyed lunch at the DWCPA offices where they were welcomed by Steven Olinek, DWCPA's Deputy Director, who spoke to them about the Greater Detroit Foreign Trade Zone Program.



Mack Alive's "Buddies In Business"
Summer 2006

COMMUNITY OUTREACH

DOSSIN GREAT LAKES MUSEUM THIRD ANNUAL GALA

The Detroit/Wayne County Port Authority, along with the Detroit Historical Society hosted the Third Annual Gala event on September 18, 2006, to raise funds to support the Dossin Great Lakes Museum. The Gala event took place at the Museum located on Belle Isle in Detroit. Honorary Chairpersons for the gala were Douglas and Diane Dossin and Matthew Moroun of the Ambassador Port Company. The Honorary Host Committee members were: Curtis Hertel, DWCPA; Robert Bury, Detroit Historical Society; Commodore William Farmer, Detroit Yacht Club; Commodore Dan Padilla, Bayview Yacht Club; Commodore Robert J. Kay, Grosse Pointe Yacht Club; Commodore Gwendolyn Gipson, Grayhaven Sail Club of Detroit; Captain Sam Tundo, The Propellor Club of the United States-Port of Detroit and Denne Osgood, Great Lakes Maritime Institute.

The Gala was another exciting event which featured a strolling dinner, exhibitions and live jazz entertainment from the Marvin Thompson Jr. Ensemble. Special thanks were given to the following corporate sponsors:

- Central Transport International, Inc.
- Hamilton Anderson Associates
- Greektown Casino
- The Mannik & Smith Group
- Michigan Marine Terminal
- Nicholson Terminal & Dock Company
- SDG design
- White/Olson, LLC

The Third Annual Gala raised \$28,150. The total amount raised from the three annual galas is \$84,390. These contributions have enabled the museum to host a Spring Lecture Series in conjunction with the Great Lakes Maritime Institute. Also this program was financially supported by a match grant from the John S. and James L. Knight Foundation. This financial support enabled the museum to make improvements to the facility.

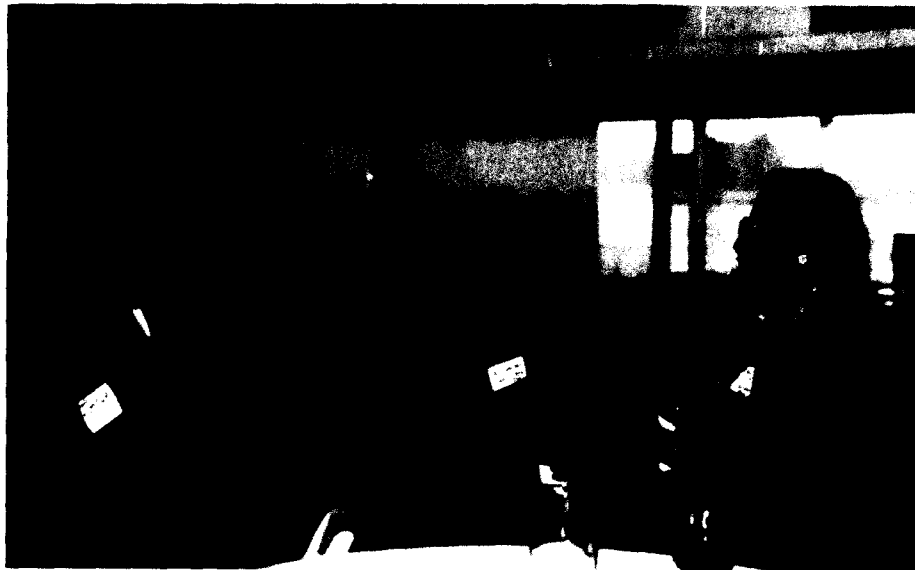


Photo: left to right, Jesse Long-bey, Jewel Ware, Chairwoman, Wayne County Board of Commissioners, Judge Weatherspoon and guest.

MARKETING/INTERNATIONAL RELATIONS

PARTNERSHIP BETWEEN DWCPA & INTERNATIONAL TRADE ADMINISTRATION

On May 25, 2006, the DWCPA established a joint project with the U.S. Commercial Service (USCS) of the International Trade Administration (ITA), U.S. Department of Commerce (DOC). The two organizations will work together to promote U.S. exports. They will share office space in order to meet the exporting needs of the business community in Wayne County and the State of Michigan, especially small and medium-sized companies. Also, the project will enable the organizations to pool resources to facilitate the identification of export-ready companies in Wayne County and the State of Michigan, and to provide them enhanced benefits such as client counseling and overseas market assistance, and the facilitation of transportation.

USCS promotes the export of U.S. goods and services and advocates for U.S. companies abroad through its worldwide network of offices. USCS assists U.S. companies to increase sales and market share around the world.

The DWCPA and USCS recognize that exporting is critical to creating and maintaining a strong economy and helps to increase U.S. jobs. They will benefit programmatically from joint sponsorship of numerous trade activities and programs, and from leveraging resources and sharing knowledge.

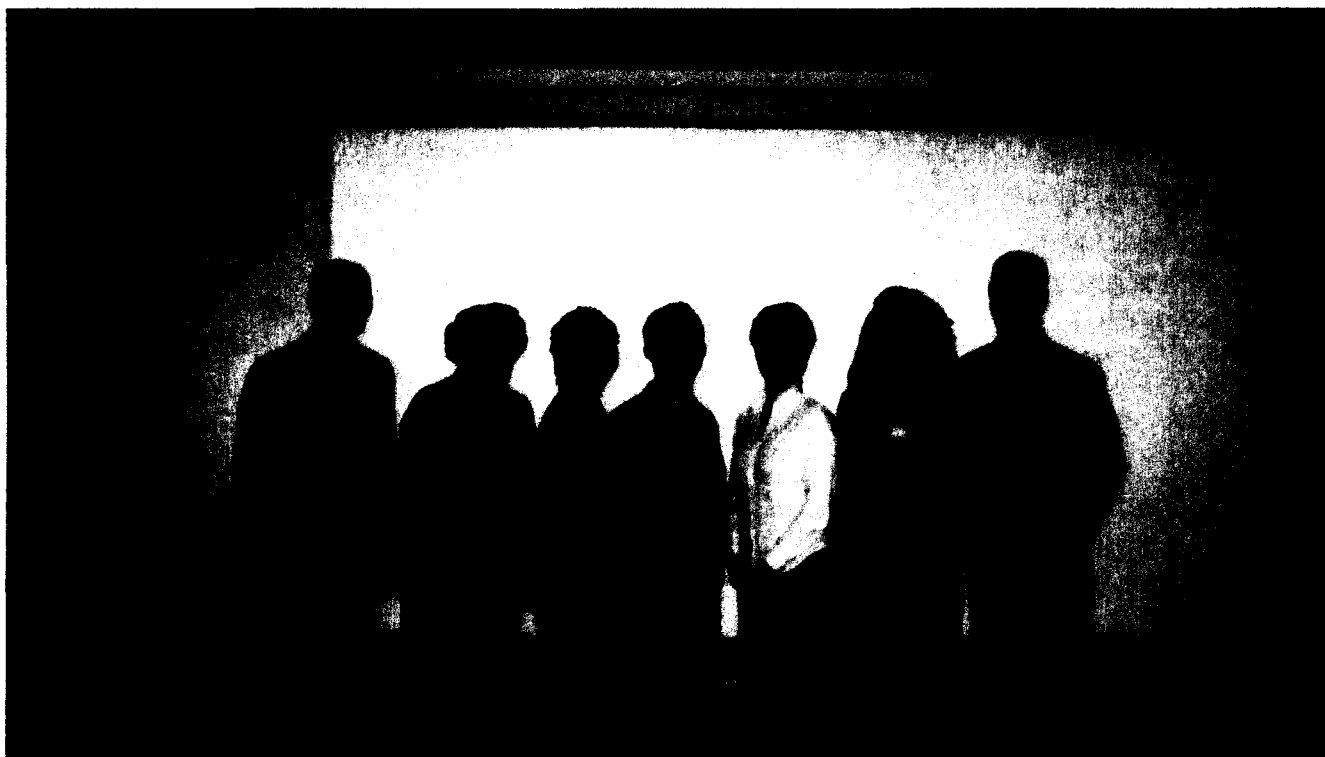
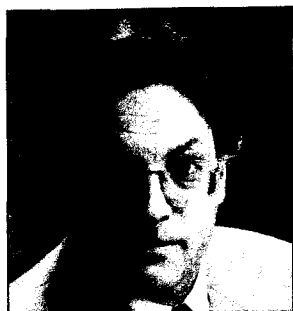


Photo: left to right, John O'Gara, Small Business Administration; Cheryl Solomon, DWCPA, Sara Coulter, U.S. Export Assistance; Yu-Chien Chen, US Consulate, Shanghai, China; Lucia Maskova, US Embassy, Bratislava, Slovakia; Yannick Greiner, Durakon, and Tom McGinty, U.S. Commercial Service.

GREATER DETROIT FOREIGN TRADE ZONE, INC.



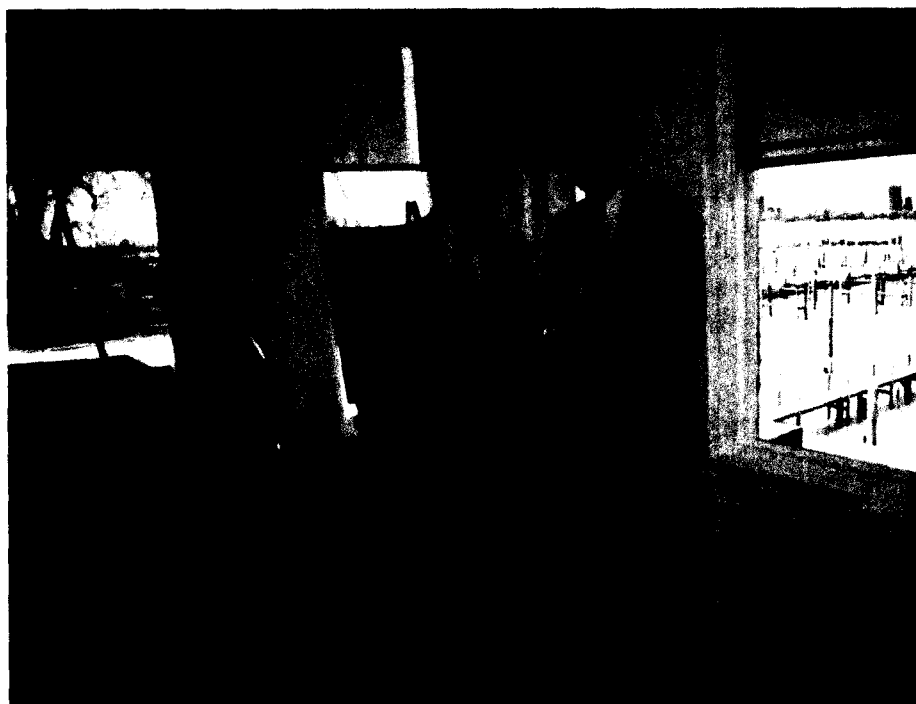
W. STEVEN OLINEK
*Deputy Director, DWCPA
Director, GDFTZ Inc.*

For the second consecutive year, the value of goods leaving Greater Detroit Foreign Trade Zone, Inc. (GDFTZ) was the highest since FY 1997. Goods valued at \$12.5 billion were shipped from Detroit-area FTZs in 2006, exceeding 2005's volume by \$2.5 billion. In 1997, the last year domestic automakers used the zones program, a volume of goods worth \$34.4 billion was forwarded. Since that time, foreign trade zone use by the automotive OEMs, perennially the largest user of foreign-trade zones, has been in decline across the country. Changes in GATT reduced or eliminated significant trade barriers, allowing most imported components used in the manufacture of automobiles to enter the U.S. duty-free. Exports to other countries in 2006 from Detroit zones equaled \$410 million.

General-purpose zone activity was also the highest it's been since 1997. The 14 active general-purpose zones served 58 firms and handled 3,063 commodities from 17 different foreign countries. Merchandise forwarded from GDFTZ zones was valued at more than \$2.1 billion. The value of exports to other countries from these zones equaled \$322 million.

During 2006, one subzone was operating in an automotive manufacturing facility, the Auto Alliance International plant in Flat Rock. Marathon Ashland Petroleum, LLC in Detroit and Wacker Chemical Corporation in Adrian, Michigan operated the other active subzones. Fourteen general-purpose zones served a diverse range of companies during the year at four locations in the city of Detroit and in Romulus, Riverview, Melvindale and Taylor.

Active general-purpose zones included the Detroit International Bridge Company; Progressive Distribution Centers, Inc. in Detroit and Melvindale; W.F. Whelan Co. in Romulus and Taylor; Metro International Trade Services, Inc. with sites in Romulus, Riverview and Detroit; and Northwest Airlines, Inc. at Metro Airport. Three new zones became active for the first time in 2006: Empire Electronics in Troy, Michelin North America in Temperance and BP Products in Taylor. Despite difficult economic times throughout the region, the GDFTZ continues to prosper.



PORT OF DETROIT OPENS WITH ARRIVAL OF FIRST SHIP, *OLYMPIC MIRACLE*

On April 8, 2006, the Port of Detroit welcomed the ocean-going vessel *Olympic Miracle* to inaugurate the 2006 shipping season. The *Olympic Miracle*, a Greek-flagged vessel, arrived at 12:00 Noon at the Nicholson Terminal & Dock Company. It was officially the first ship to arrive at the Port of Detroit.

The *Olympic Miracle* set sail from Piombino, Italy, on March 19, 2006, with a cargo of steel slabs, under the command of Captain Polychronios Tsintilas. The *Olympic Miracle* is 600 feet long with a 76 foot beam. Piraeus, Greece is its home port.

The coveted J.L. Hudson Trophy was presented to World Shipping, the ship's agent, by Steven Olinek, DWCPA's deputy director, who delivered the annual "State of the Port" address at a luncheon meeting hosted jointly by the Detroit Propellor Club in cooperation with the DWCPA. The luncheon was held on April 12, 2006, at the Detroit Yacht Club.

DOORSTEP HOMELESS CHRISTMAS PROJECT

For the third consecutive year the DWCPA has adopted a family for Christmas. The DWCPA staff participated by donating canned goods or other non-perishable food items to the Blue family, a family of five, with four young children from ages 8 months old to 14 years old in Detroit. This year the family received a Christmas dinner and donations of clothing and toys for the children. Special thanks were given to the Sun Valley Foods Company for their contribution of food to the project for the third consecutive year.

PORT OF DETROIT CARGO HANDLING SERVICES

INTERNATIONAL AIR CARGO

Complete air services are available through Detroit. Services include direct international cargo and passenger flights, extensive domestic service, charters and U.S. Customs services. Shippers can export and import worldwide through Detroit. Air service is available through:

- Detroit Metropolitan/Wayne County Airport
- Detroit City Airport
- Oakland County International Airport
- Willow Run Airport

Service through Detroit avoids costly delays and lost cargo problems of other freight centers.

INTERNATIONAL CARGO HANDLING SERVICES

The complex requirements of companies importing and exporting through Detroit are met by nearly 100 firms that specialize in serving those needs.

- Foreign freight forwarders act as agents for exporters and are licensed by the Federal Maritime Commission
- Customhouse brokers, licensed by the U.S. Treasury Department, enter and clear goods through U.S. Customs
- International Air Freight Forwarders handle air cargo and are licensed by the International Air Transportation Association
- Foreign trade zones provide duty-free storage and value-added services on goods with immediate release capability
- Export packaging and crating firms provide expert service for truck, air or ocean transportation
- Inventory and sequencing systems

All these services are expertly provided in Detroit by companies accustomed to the demands of industry and just-in-time distribution.

OCEAN SHIPPING SERVICE

Detroit is directly linked by water to all world markets through the international port located on the Detroit and Rouge Rivers, 618 miles from the entrance to the St. Lawrence Seaway.

The Port of Detroit handles more than 22 million tons of cargo annually, including more than six million tons of foreign cargo and ranks as the third largest steel handling port in the U.S.

FACILITIES

- 10 berths on the Detroit and Rouge Rivers provide ocean access through the St. Lawrence Seaway
- Completely equipped to handle all types of cargo from bulk to container, heavy-lift to roll-on/roll-off
- Fully secured, guarded terminal facilities with covered and heated storage available
- Complete intercontinental rail service
- Ship repair, chandlery, bunkering, and tug and barge services available
- International reputation for high productivity and damage-free cargo handling
- On-site U.S. Customs services
- Tug assistance
- Direct, regular service to Northern Europe
- Charter service throughout the world through 16 shipping lines
- Excellent intermodal connections with interstate highways and rail lines to U.S. midwest and Ontario, Canada
- London Metal Exchange-approved port facilities

RAIL SERVICE

Detroit is served by all major rail lines which link Detroit to major markets in the United States, Canada and Mexico. Port facilities, foreign trade zones, distribution centers and manufacturing facilities are linked to all of the rail lines.

DISTRIBUTION SERVICES

Within 500 miles (800 km) of Detroit are:

- 46% of the U.S. population
- 46% of U.S. personal income
- 44% of Canada's population
- 45% of Canadian personal income

Detroit provides personalized, just-in-time services without the congestion and lost cargo problems of other distribution centers.

George Johnson & Company

1200 Buhl Building • 535 Griswold Street • Detroit, Michigan 48226-3689
(313) 965-2655 • Fax (313) 965-4614

INDEPENDENT AUDITORS' REPORT

February 9, 2007

To the Board of Directors
Detroit/Wayne County Port Authority
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the years ended, September 30, 2006 and 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. We also conducted our 2006 audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2006 and 2005, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 9, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

An Independent Member of the BDO Seidman LLP Alliance

Board of Directors
Detroit/Wayne County Port Authority
February 9, 2007
Page Two

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The accompanying management's discussion and analysis and schedules of revenue and expenditures - budget and actual (operating fund) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


CERTIFIED PUBLIC ACCOUNTANTS